

Message Text

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ACTION EA-14

INFO OCT-01 ISO-00 SAJ-01 CIAE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 SAM-01 AID-20 IGA-02 EB-11 MC-02 TRSE-00

OMB-01 ACDA-19 DRC-01 /150 W
----- 078880

R 061000Z FEB 74

FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC 873

SECDEF WASHDC

CINCPAC HONOLULU HI

C O N F I D E N T I A L TAIPEI 0771

E.O. 11652: GDS

TAGS: MASS, TW

SUBJECT: UH-IH CO-PRODUCTION AND RELATED PROGRAMS

REF: STATE 004943

1. THOUGH ROC CONTINUES PLACE HIGH PRIORITY ON, AND TO LINK NATIONAL PRESTIGE WITH, COMPLETION OF UH-IH AND T-53 ENGINE PROGRAMS, NEITHER WE NOR RESPONSIBLE ROC OFFICIALS COULD REORDER PRIORITIES TO RANK HELICOPTERS AHEAD OF AIR AND NAVAL DEFENSE MODERNIZATION REQUIREMENTS. ACCORDINGLY, WE HAVE INFORMED ROC INFORMALLY, AND WILL FOLLOW UP WITH NOTIFICATION FROM CHIEF MAAG TO GENERAL LAI, CHIEF OF GENERAL STAFF, THAT FMS CREDIT LINE FOR UH-IH AND T-53 CO-PRODUCTION PROGRAMS WILL TERMINATE FOLLOWING THE FY 74 ALLOCATION. WE ARE NO LONGER CERTAIN ROC WILL CARRY THROUGH WITH ORIGINALLY CONTEMPLATED SECOND HALF OF PROGRAM.

2. WE UNDERSTAND WHY DEPARTMENT WISHES TO HOLD ROC'S FY75 FMS CREDIT ALLOCATIONS TO US\$80 MILLION, BUT WE WISH TO MAKE ONE FURTHER APPEAL FOR A US\$100 MILLION LEVEL. DESPITE GROWING CAPACITIES OF TAIWAN'S ECONOMY, WHICH HAVE
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PERMITTED RAPID PHASE OUT OF ASSISTANCE, ROC HAS OBVIOUS

ADJUSTMENT PROBLEMS AS IT SEEKS TO CARRY OUT HIGH PRIORITY DEFENSE MODERNIZATION PROGRAMS AND MAKE NECESSARY ADJUSTMENTS IN RESOURCE ALLOCATIONS. ITS EXISTING BUDGETARY PROBLEMS FOR THIS FISCAL YEAR HAVE BEEN COMPOUNDED BY WORLDWIDE PRICE INCREASES AND ROC'S OWN STABILIZATION MEASURES. CUT FROM PROGRAMMED US\$135 MILLION TO US\$80 MILLION LEVEL WOULD LEAVE F-5E CREDITS PLUS BALANCE OF ONLY US\$14.8 MILLION. WHILE PINCH WOULD BE FELT BY ROC DEFENSE ESTABLISHMENT AS WHOLE, IT WOULD BE EVEN MORE ACUTE FOR TIGHTLY-CONTROLLED INDIVIDUAL SERVICE BUDGETS. ROC NAVY WOULD RECEIVE NO CREDIT FUNDS FOR MUCH-NEEDED NAVAL MODERNIZATION PROGRAM, INCLUDING SHIP MISSILE SYSTEMS, ASW CAPABILITY, AND SUB-MARINE REBUILD AND INTEGRATION PROGRAM. ARMY WOULD ONLY GET PROJECT GALAXY FUNDING AND ABOUT HALF OF HAWK CONVERSION. BECAUSE OF INTER-LINKING OF LOGISTICS AND ADMINISTRATIVE SUPPORT FOR WEAPONS SYSTEMS, SACRIFICE OR LENGTHY POSTPONE-MENT OF ONE PROGRAM PLACES ALLIED BACKUP COSTS ON REMAINDER, MAKING SUPPORT FOR WHAT'S LEFT MORE EXPENSIVE AND LESS EFFICIENT. FOR EXAMPLE, CURTAILMENT OF HAWK OR AIM-9E CONVERSION PROGRAMS WOULD MEAN EXISTING FACILITIES (PLANT, PERSONNEL AND EQUIPMENT) WHICH HAVE BEEN SET ASIDE FOR THE NEW PROGRAMS WILL BE ONLY PARTIALLY UTILIZED AT HIGH ONGOING FIXED COST. IN OTHER FACILITIES, REPAIR WORK OF LINE EQUIPMENT THAT HAS BEEN PERFORMED CONCURRENTLY WITH PRODUCTION, ALSO WOULD BE FORFEITED IF PRODUCTION WERE SHUT DOWN FOR LACK OF FUNDING.

3. COUNTRY TEAM, ACCORDINGLY, REQUESTS RECONSIDERATION OF PROPOSED FMS CREDIT CEILING FOR FY75 TO PROVIDE FOR \$100 MILLION WITH LINE ITEM ENTRIES AS FOLLOWS: (US MILP
ONS)

EQUIPMENT	PRIORITY	ALLOCATION
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AERO MOD

F-5E/B CO-PRODUCTION	1	65.2
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MISSILES

AIM-9E CONVERSION CAF	2	2.4
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PROJECT GALAXY ARMY	3	3.5
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HAWK CONVERSION	4	14.2
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HAWK SUPPORT	5	1.1
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NIKE SUPPORT	6	3.4
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NAVAL MOD

SHIP MISSILE SYSTEMS	7	4.9
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ACQUISITION OVERHAUL

OF SHIP/SUBMARINES	8	5.3.
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